FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2020

Scottish Charity No. SCO21191
The financial statements were approved and authorised for issue on 3 December 2020.

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PROFESSIONAL ADVISERS

External Auditor:	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
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Vat Advisers:	RSM First Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers:	Barclays Bank 120 Bothwell Street Glasgow G2 7JT
	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Solicitors:	MacRoberts Capella 60 York Street Glasgow G2 4TB
	CMS Cameron McKenna LLP 191 West George Street Glasgow G2 2LD

PERFORMANCE REPORT

OVERVIEW

Principal and Chief Executive's statement

The purpose of this overview is to give a short summary of the College's performance during 2019/20.

In 2019/20, thanks to the dedication of our staff and students, the College has continued to deliver "Making Learning Work" to all in the face of profound, unforeseen challenges.

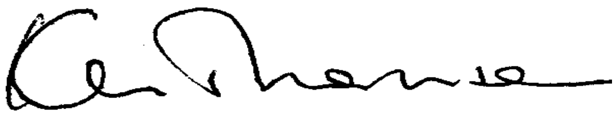
The College had always intended for the most significant development of the year to be the move into our brand new, bespoke campus in Falkirk. This move was accomplished in January 2020 and the new facilities were met with an overwhelmingly positive response from all campus users and our stakeholders. The move also marked the realisation of our long term estates development strategy to ensure our campuses provide the quality of resource our students and staff deserve and to future proof delivery for the Forth Valley area and beyond. In July 2020 the Board of Management approved the sale of the old Falkirk Campus.

The global Covid-19 pandemic presented the most significant challenge to our operations I have ever experienced. In March 2020, when the national lockdown came into force we had to review our entire operations while working remotely. I cannot overstate how proud I am of the way in which the staff stepped up to move from a physical to a virtual provision in an extremely short period of time to ensure completion of the courses for as many of our 2019/20 academic cohort as possible, whilst ensuring robust quality processes were in place. This work has been underscored by the success rates of our students who must also be commended for actively engaging with the College throughout the remainder of their academic year.

My senior management team and I, in regular consultation with our Board of Management, sought to minimise as much as possible the financial impact of the significant changes to our delivery model and the loss of commercial activity. We also utilised relevant funding streams such as the Job Retention Scheme for those staff members who could not perform their duties virtually to mitigate the impact on budgets.

Throughout the period of closure our Estates team worked tirelessly on the redesign of our campus spaces to comply with Scottish Government guidance to ensure we had a safe environment for our staff and students to return to when we were in a position to re-open as permitted under the Scottish Government Route Map.

The manner in which the College responded to the challenges underpins for me the talent and dedication of our staff to ensuring our students receive the best possible learning experiences, regardless of circumstances and they are to be commended for this.



Dr Ken Thomson OBE
Principal and Chief Executive
3 December 2020

Vision, purpose and activities

Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The Office for National Statistics (ONS) reclassified all incorporated Further Education (FE) Colleges as central government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

Mission Statement

The College Mission Statement is: Making Learning Work

College Vision

The College Vision is: Shaping the Future
Delivering a World Class Service
Driving Our Momentum

Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the period 2017- 2022. These are:

- Creating a superb environment for learning
- Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people, celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simply effective, efficient and consistent.

Performance Summary

During 2019/20 the College continued to progress our vision of 'Making Learning Work'.

Creating a superb environment for learning – On 10th January 2020 all Falkirk based staff transitioned over to our new purpose-built, state-of-the-art, Falkirk Campus, with students returning the following week. The move into the new campus completed the College's estate and concluded the College's long term Estates Development Strategy with the delivery of our vision of three state-of-the-art facilities across the region. The investment of £128 million of public money in Forth Valley Collge's estate ensures we are front and centre in Scotland's education and economic success, and ensures the quality of the environment reflects and supports the high quality of the learning on offer.

This was an exciting time for Forth Valley College as we moved into the next stage of our journey; however, the celebration of our new facility was cut short by the Covid-19 pandemic which has completely changed the academic landscape, and required an entire re-think on learning and teaching. All campuses were closed on the 17th of March and the College's attention turned immediately to ensuring our students were not disadvantaged, with a huge effort from all staff to move quickly from a physical delivery to a digital community and online presence. All non-essential plans, outside of learning and teaching, were effectively put on hold to allow the College to put all its resources into moving to digital online delivery. The College created a digital community to support staff with this transition, and within a couple of weeks of lockdown we had over 400 staff working on MS

Teams. The focus and determination of staff to fully engage so quickly with digital delivery, should not be underestimated.

Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly – This theme is fundamental to ensuring we live up to our mission statement of "Making Learning Work".

In October 2019 the College submitted its first Annual Report to the Scottish Funding Council (SFC) and Education Scotland related to Guidance from the SFC on Annex A: Guidance on Evaluation Report and Enhancement Plan reporting covering academic year 2018/19. The requirements of the annual report covered four high level Outcome Agreement priorities: Recruitment; Retention; Attainment; Progression. The report was well received by both SFC and Education Scotland, with the College receiving positive feedback.

In February 2020 the College also participated in its first Progress Visit from Education Scotland and the SFC. Progress Visits are an extension of the College reporting arrangements: Evaluative Report and Enhancement Plan (EREP), and are a tool by which Colleges assure, and continuously improve, the quality of their provision and the services they provide through a cycle of evaluation and enhancement planning. The Progress Visit report is directly related to the College's Annual Report on our 2018/19 Outcome Agreement target performance, submitted to SFC in October 2019, and an updated Enhancement Action Plan, submitted to Education Scotland in January 2020. Education Scotland reviewed these documents and created a visit plan to focus on six key themes:

- Stakeholder engagement
- Gender action plan
- Student support
- Improvement in performance and success
- Learning and Teaching Mentoring
- Dissemination of Outcome Agreement targets to Directors of Curriculum and curriculum teams.

Education Scotland's completed Progress Visit report identified positive progress on all six key themes and there were no identified areas of further progress and actions required. The report has been shared with SFC and the College's Board of Management. The outcomes of the Progress Visit was to inform a refreshed EREP for 2020-2023, due to be submitted by all colleges in October 2020. However, this is on hold as Education Scotland and the SFC work through an internal review. We are currently awaiting guidance on future reporting and assurance structures.

The Progress Visit outcome also highlights the success of the College's previous EREP endorsed grades, which matched four other colleges as the best in the sector.

Outcomes and impact	Very Good
Delivery of learning and services to support learning	Very Good
Leadership and quality culture	Excellent

The College continues to actively engage and promote the Developing the Young Workforce agenda and the associated Scottish Government Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality. Throughout 2019/20 the College has grown its senior phase offerings for school pupils, with over 1,200 pupils studying with the College across a wide offering of programmes: a record 353 new Foundation Apprentices; 48 pupils across four secondary schools studied on the new SQA Level 4/5 pre-Foundation Apprenticeships; over 150 pupils attended on the School College Opportunity to Succeed (SCOTS) programme; and approximately 350 studied on Skills for Work courses. The College continues to strengthen our close partnership work with our three local authority education services in Falkirk, Stirling and Clackmannanshire, with all 18 of their secondary schools participating in school-college partnership programmes.

Through the Scottish Government's STEM strategy the College launched its PrimarySTEM engagement programme in 2018/19 aimed at promoting STEM subjects in primary schools and breaking the gender stereo types associated with STEM. The programme has been a major success for the College and has seen significant growth with delivery of over 900 P6/P7 Primary School STEM experiences to children across all three of our partner Local Education

Authorities during 2019/20. The programme has also been recognised nationally and won the coveted Colleges Development Network award for “Essential Skills Award” in 2019.

The College continues to be sector leading in the creation of cutting edge performance support tools with the launch in 2019/20 of our Performance Indicators (PI) Prediction Tool in conjunction with our Student Support System (Triple S). Both of these tools have been created in response to the College’s drop in retention and attainment figures and were commended in Education Scotland’s Progress Visit report as being sector leading practice, and were recognised as key tools in improving student outcomes.

The impact of Covid-19 has been significant in terms of our delivery model with the switch to online delivery from March 2020. With the cancellation of the Scottish Qualifications Agency (SQA) exam diet this required entirely new guidance for Assessment and Verification to be written to support the guidance from SQA on holistic estimations and student engagement. This was then launched to all teaching departments with a dedicated support programme to help staff engage with the new assessment procedures. The introduction and engagement of the new procedures went well and staff and managers were positive in their feedback. A further positive development is that the retention, even through the lockdown period, for 2019/20 improved by 4% on 2018/19. The College was also predicting an improvement in attainment of an increase of 2% points on 2018/19 PIs, before lockdown, which is supported by the improvement in retention.

We continued to operate our successful “Listening to Learners” focus group process, through which, over 3,000 students contributed their views and helped to shape learning within their programmes of study. The SFC suspended the 2019/20 satisfaction survey due to the Covid-19 pandemic and are now unlikely to revisit this; however, it will be business as normal for 2020/21. In terms of previous performance, the 2018/19 National Student Satisfaction and Engagement Survey, highlighted that 93% of Forth Valley College students reported that they were overall satisfied with their college experience (95% for 2017/18).

Instilling an energy and passion for our people, celebrating success and innovation – The process of staff development has developed further and now incorporates opportunities for staff to access management and leadership programmes which creates further opportunities to progress within and beyond the organisation. This innovative approach continues to engage staff and promotes a sense of ownership in their professionalism whilst increasing the knowledge base, skills and industrial experience of employees.

As a result of constructive feedback from all staff, plans are in place to develop the theme of Creative Learning further by offering staff development that will capture all areas within the College and allow staff from across all disciplines to interact and learn from each other.

In line with our People Strategy we have launched the second cohort of staff onto our Leadership Development programme for middle managers. The development consists of a range of CPD opportunities both internally and externally with all participants being allocated a mentor to support them through the programme. Stage two of the People Strategy, which is well underway, is aimed at those staff who may not have had the opportunity to develop management skills, but who have shown potential and commitment to progress within the College and can potentially be managers of the future.

Progress on the People Strategy continues with an update to our performance review processes with the launch in August 2019 of the Reflective Practice PRD review, linked to professional standards for lecturers and the College operational plan for support staff. This will prove beneficial with the College taking a leading role in the GTCS registration pilot. The College continues to support staff development with TQFE and Assessors awards.

The four teaching departments continue the development of the curriculum to meet the needs of our stakeholders, as well as realigning posts to ensure we have the best staffing structure in place to meet the wide range of requirements of our external key partnerships, and provide a highly trained workforce for the future. One key development has been the introduction of an Instructor Assessor role. This role will ensure we have the best industry trained staff with the extensive industry experience, knowledge and skills delivering high quality training and learning.

Forth Valley College is proud of the opportunity to display our commitment to our armed forces, both within our role as a key employer in the Forth Valley area and as a champion of opportunity for all. The challenges faced by former members of the forces after service to their country, is one that must inspire us to contribute to the transition process through the pledge made within the covenant and the commitment we have undertaken. We hope that our relationship with the forces goes from strength to strength.

Forth Valley College is committed to the positive mental health of its employees and the resulting impact upon wellbeing, engagement and productivity. The College is committed to a shared goal of providing support for managers to hold open conversations with staff, and for individuals to be self-aware and request help when they need it. FVC has introduced a comprehensive training programme for staff on improving awareness of mental health issues, and has completed a programme to introduce mental health ambassadors to supplement the support mediums already in place, which includes bullying and harassment advisors, workplace mediators and independent counselling.

Leading as a business that is a champion for governance, financial control and balanced risk taking – The Board of Management approved the updated Code of Good Governance for Scotland's Colleges in December 2016 and continues to work within this framework. During the year the College completed a recruitment process for new Board members in line with the Sector Board Appointments: 2014 Ministerial Guidance. The appointment of 2 non-executive members was approved by Scottish Ministers in January 2020, with approval of 2 further appointments received in February and July 2020.

Despite the physical closure of the College campuses in March 2020 the Board of Management continued to operate virtually. All scheduled Board and Board Committee meetings took place as planned using video conferencing, with additional meetings held in relation to the sale of the old Falkirk Campus and the College's response to the Covid-19 pandemic.

The College follows an anti-bribery and corruption policy that demonstrates our commitment to ensuring the highest standards of financial probity, reliability and ethical behaviour.

A full report on the College's financial performance is included within the Performance Analysis section of this report. Overall the College's financial health continues to be good despite the challenges faced by Covid-19 which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. In 2019/20 this has been used to support the estates development programme for our new Falkirk campus. As an arms-length public body the College is not expected to retain reserves for future investment and is required to balance its Resource Budget.

Enhancing our position, as the business and community partner of choice – Strong employer and stakeholder relationships have been key to maintaining our position as a partner of choice.

The impact of Covid-19 in this area of delivery has been significant, however it was not as impactful as first feared, due to being able to mitigate some of the impact by quickly moving to online delivery for commercial and educational components of Modern Apprenticeships (MAs). The support we offered to employers and MAs was significant but appreciated and allowed them to remain on the MA pathway where possible.

The Scottish Government Flexible Workforce Development Fund (FWDF) continued into 2019/20 for its third round. This £10m fund provides the opportunity for Apprenticeship Levy paying employers operating in Scotland to apply for up to £15,000 in training. A regional college must deliver all training with courses aimed at upskilling and reskilling the workforce to drive productivity. The 2019/20 FVC allocation was £556k, which was higher than the previous years based on our performance. The fund was fully committed by November 2019, and when the College closed in March 2020 we transitioned as much as we could to online delivery, however some organisations were unable to take up that offer. SFC have extended the delivery timelines of the 2019/20 FWDF and we are targeting that all of our delivery will be completed by December 2020.

The College commercial course provision (Comp'Ex & Electrical Safety, Health & Safety, Business Skills and First Aid) was performing well until the impact of Covid. Where appropriate and practical we quickly transitioned our delivery to digital and online, however given the practical and regulatory nature of some of our provision this was not always possible. We also suffered a reduction in demand as businesses were reacting to their own emergent issues as a result of the lockdown and pandemic.

The allocation of MA places from the Skills Development Scotland contracting process met our demand at the beginning of the year, however it too was impacted by Covid-19 in a number of ways. A number of our apprentices were furloughed or unable to attend work and as such we were not able to drawdown the milestone payments impacting our budget. We have had a reduction in projected starts in Engineering and Construction due to employers not wanting to take on apprentices at this time, however we have developed pre-apprenticeship programmes to bridge this gap using SFC credit funding. It is intended that we will be able to match these students into employment and MA places in the future.

All of the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College, supporting best practice and contributing towards the College's financial sustainability.

Delivering a whole system approach. Simply effective, efficient and consistent – We have continued to deliver on the College's Creative Learning and Technologies Strategy. Over the past session, we have invested in Microsoft Surface devices for all teaching staff, and support staff who are mobile across our campuses. This has provided the opportunity to enable teaching staff to make even more use of technology in learning and teaching. In the previous session, we had an extended pilot on the use of mobile LCD screens within classrooms to inform decision making for our new Falkirk Campus. During 2019/20, we installed a mobile LCD screen and a mobile laptop trolley in every standard classroom in Falkirk.

We have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have simplified and improved the application process for evening and part time students, and we have fully embedded our record of interview processes, providing a more streamlined service for students, and providing transparency in the decision making process. We have also improved our application process for school pupils. We extended our online portal to not only enable for local schools and Skills Development Scotland real-time information on school pupil applications to the College, but to also allow stakeholder employers to review and monitor progress and attendance of their employees while they progress through their Modern Apprenticeship at College. This was extended last session to allow schools to monitor attendance and progress of students on school-college courses. The full roll-out of the use of an online e-portfolio has enabled more Modern Apprenticeship students to have access to a tool which provides them with a more detailed view of how they are progressing, and which also allows these students to upload evidence as they progress and interact with teaching staff. We also enhanced our online Student Funding Application process, enabling students to upload evidence documentation, and also streamlining the awarding of applications. As a result of Covid-19, we further streamlined our application process moving all face to face interviews to online meetings.

We have built on the success of the College Data dashboards. For students we further developed the My Info portal to include online enrolment confirmation and student photograph upload. For staff we further enhanced functionality within the HR area. We have also further developed and rolled out a Student Support System (Triple S) which brings together information stored in a number of disparate electronic and paper based systems on support that is being provided to our students across College functions. This system allows all staff to see interactions with all College functions, and allow for sharing of appropriate support information more timeously across the College. We also built the Performance Indicator Prediction and Tracking Tool, which allowed managers to track performance of their courses and students across the session. Crucially, this linked to the Triple S systems, so allowed for students who may be more vulnerable to be tracked, and also to highlight courses where there were clusters of students with additional support needs, to help identify earlier where more support may be necessary.

Estates Strategy

The opening of the new Falkirk Campus in Janaury 2020 completed the delivery of our Estates Development Strategy. The new campus will service the current Falkirk Campus curriculum and will accommodate over 11,000 students, of which almost 2,000 will be full time. The campus is 20,720 sqm and incorporates state of the art and flexible teaching accommodation, low carbon initiatives such as Photovoltaics, a Ground Source Heat Pump system, and Combined Heat and Power boilers, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

Going forward the significant capital investment in our estates will be supported with the implementation of an Estates Maintenance Strategy to ensure the estate is adequately maintained so that it remains fit for purpose and continues to provide a superb ennvironment for learning.

Principal Risks and Uncertainties

The College recognises the need to take informed and calculated risks to allow for the growth of the College. The College has comprehensive risk management systems in place to ensure that risks are fully analysed and receive the appropriate level of approval before activity commences. All risks identified within the College are monitored on an on-going basis and specialist registers are created for large individual projects such as estates developments. As part of the College's response to the Covid-19 pandemic a separate risk register was created to capture the specific risks of the pandemic.

The College has updated the strategic risk register to reflect the recent changes across the sector. The register provides details of individual risks, their potential consequences and the mitigating actions put in place to manage these risks.

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management. A review of the Strategic Risk Register and Covid Risk register was completed by the Board in June 2020.

At this time, the top risks on the Strategic Risk Register are:

Risk	Mitigation
Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College.	The College continues to review its operating structures and activities to deliver efficiencies and grow commercially to ensure the ongoing financial sustainability of the College.
The ongoing impact of Covid-19 will impact on the College's ability to deliver and also impact on financial sustainability.	Scottish Government guidance fully implemented to allow a safe return to campuses. Covid-19 timetable in place to facilitate blended learning delivery. Commercial / Flexible Workforce Development courses moved to online delivery where possible.
The student experience fails to meet student expectations.	Investment in IT to support blended learning. PI prediction tool and Student Support System to support student retention and attainment.
National Bargaining process will negatively impact on the College.	The outcomes of the National Bargaining process is outwith the control of the College. The College continues to communicate regularly with staff with the Principal holding briefing sessions with all staff twice a year. Financial implications are reflected within financial forecasts.

Forth Valley College and BREXIT

Forth Valley College is aware that there continues to be a potential for disruption to our operations/costs arising from Brexit. The Principal is the College's lead on Brexit and we continue to review any new information and guidance provided by bodies such as Scottish Government and the Scottish Funding Council as it is published.

While it cannot be stated with absolute assurance, given the fluid nature of the Brexit process, the impact upon the College's operations is likely to be mitigated somewhat by:

- Our expenditure model which has circa 71% of College expenditure on salaries, which should not fluctuate immediately as a result of Brexit
- The limited level of international activity the College undertakes, with the significant majority of our activity being UK based
- Early communication from the Principal and Chair to those students at the College currently from the EU
- An assessment has already been undertaken on the impact of the College resulting from the loss of European Social Fund income; and
- Early and ongoing engagement with the sector procurement body.

Going concern

The Board of Management has assessed the financial position of the College for the year ended 31 July 2020 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures.

The net liability position of £171k reported in these financial statements is due to deferred government capital grants being disclosed as creditors in accordance with FRS 102. They do not represent future cash outflows for the College. The net liabilities also include a Pension Provision for early retirements of £7.0m and Pension Liability of £26.7m for the College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

The Board of Management of Forth Valley College has no reason to believe that future support from Scottish Funding Council will not be forthcoming. The College's medium term financial forecasts are showing a surplus of £88k for the 3 year period after allowing for loan repayments, and the College has working cash of c£0.9m.

The conclusion from the assessment of financial position is that it is considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

PERFORMANCE ANALYSIS

Performance Indicators

The College delivered 86,517 Credits against a target of 86,320 which is 197 Credits (0.02%) above target for Academic Year 2019/20 (2018/19 – 0.01% above target of 86,018 credits). This target includes 84,201 core activity Credits, 1,786 Credits for the on-going SFC administered European Social Fund project, and 333 agreed additional Credits.

To monitor performance the College uses a range of performance indicators which are reviewed regularly by members of the Senior Management Team, and Board members through the College's Strategic Development Committee. Furthermore, performance down to curriculum area and course level is monitored through curriculum teams through the College's quality processes and procedures. Through its Outcome Agreement with SFC, the College sets a range of national targets and ambitions which are monitored through the College's Evaluative Report and Enhancement Plan, which involves external scrutiny and moderation by Education Scotland and SFC.

In relation to risk, failure to meet our Outcome Agreement targets is listed within the College's Risk Register as a risk, with mitigation of regular monitoring through the Senior Management Team and the Learning and Student Experience Committee. The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2019/20 and 2018/19. As a result of Covid-19 at the time of closing the data for SFC there were still a number of final student outcomes which were as yet unknown. These students are currently deferred, as per SFC guidance. The impact of this is that these students are excluded from PI calculations, which is showing the College with artificially low PIs. The predicted column shows the predicted PIs, calculated based on current PIs along with a prediction for deferred students.

	Year Ended 31 July 2020	Year Ended 31 July 2019
Operating deficit as % of total income: deficit on continuing activities (excluding extraordinary donation) after depreciation of assets at valuation and loss of revaluation of land and buildings, and before disposal of assets and tax	(6.5%)	(5.1%)
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.	29.4%	27.2%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	0.68:1	0.60:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	35	21
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	7%	6%
Working days lost through sickness absence: working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).	3%	3%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	341	334

		Predicted Year Ended 31 July 2020	Current Year Ended 31 July 2020	Year Ended 31 July 2019
Performance against Credits: actual Credits delivered in-year divided by target Credits.		100%	100%	100%
Student outcomes: total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	71%	67%	69%
	FE Part time	91%	89%	90%
	HE Full time	72%	69%	70%
	HE Part time	95%	95%	85%
Student retention: measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	81%	81%	76%
	FE Part time	94%	94%	95%
	HE Full time	85%	85%	83%
	HE Part time	97%	97%	93%
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	92%	92%	95%
	FE Part time	97%	97%	99%
	HE Full time	95%	95%	96%
	HE Part time	99%	99%	98%

Current & Future Developments

We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners. During the College's Progress Visit, Education Scotland recognised the strength of our stakeholder engagement and commented that this was an area of significant strength for the College.

We continue to have ambitious plans for further significant expansion of Foundation Apprenticeships across Forth Valley; however, the Covid-19 pandemic has created challenges in terms of the delivery of the vocational elements of Foundation Apprenticeship programmes and we have worked hard with our school partners to maintain the validity of the qualification for 2020/21. We increased our intake of Foundation Apprenticeship starts from 174 in August 2018 to 353 places starting in August 2019, and 389 pupils have commenced Levels 4, 5 & 6 programmes for 2020/21. We are also continuing with our co-partnership in-school delivery and we are delivering in three secondary schools across Forth Valley.

In terms of learning and teaching, during 2019/20 we maintained our strong focus on developing a culture of creativity in learning, using a lively and engaging Creative Learning Conference for staff in August 2019 as a catalyst for all staff to develop team objectives for creative and technology-enhanced learning. This was to be supported and monitored through our Creative Learning and Technologies Committee during the year before the enforced lockdown in March 2020. Our Learning and Teaching Mentors were planning to expand engagement to over 100 lecturers in 2019/20, an increase from the 72 that engaged in 2018/19. The delivery was impacted by Covid-19, but the mentors continued to offer the service and engaged with staff where required. In terms of taking creative learning to the next stage, the College has implemented its EnableFVC Digital enhancement programme for 2020/21 and beyond, with a dedicated team of staff to achieve our digital ambition. The College recognises that there is a need to invest in both the digital skills of our staff and in digital content, thus empowering our staff to embrace advances in technology, enhance our digital pedagogy, and develop the skillset to create content for our students. This will put us in a position to design and develop a digital platform and content to meet the needs of our Creative Learning and Technologies strategy, and our industry and university partners, whilst maximising work already in place within our Moodle Virtual Learning Environment.

We will also continue to work closely with our Higher Education Institute (HEI) partners to maximise success and progression on our existing partnership degree programmes and to develop additional articulation agreements for Higher National (HN) graduates. In addition, we are exploring opportunities for expansion of our partnership degree activities into international markets and into other subject areas, including science and technology teacher education.

Financial Performance

The finances of Forth Valley College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the SFC for the stewardship of the College's finances and assets.

The reclassification of the College as an arm's length public body, effective from 1 April 2014, means the College is also regulated by the Financial Reporting Memorandum (FReM) and also by the Scottish Public Finance Manual (SPFM). The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FReM and the revised Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) which was issued in October 2018.

The College's financial objectives are:

- maintain a position of financial security in the context of significant internal and external demand upon resource
- optimise land and other assets in the interest of the College
- manage the impact of estates development upon financial security
- continue to seek increased allocations from SFC to meet demographic demand
- grow commercial activity rates and overall contribution to the College
- implement efficiencies and improvements identified through our business transformation activity
- embedded sustainability throughout College practices.

Underlying Operating Performance

The Statement Of Comprehensive Income presents the financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from Financial Reporting Standard (FRS) 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College.

The following table provides the adjusted operating position for Academic Year 2019/20:

	Note	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Deficit before other gains and losses		(4,476)	(1,782)
Add back:			
Depreciation (net of deferred capital grant release)	SOCI, 2	1,219	297
FRS 102 SWAP Rate valuation movement	11	87	156
Pension adjustment - Net service cost	7	1,779	1,380
Pension adjustment - Net interest cost	22	313	235
Pension adjustment - Early retirement provision	9	553	475
Donation to other public body	10	1,887	0
Estates development costs	SOCI	1,755	925
		3,117	1,686
Less:			
Non-Government grant for estates development costs	4	998	64
Non-Government capital grants	4	774	187
CBP allocated to loan repayments	17	175	167
		1,947	418
Adjusted operating surplus		1,170	1,268

The adjusted operating surplus of £1,170k demonstrates that the College is operating sustainably within its funding allocation and has been agreed with the Sottish Funding Council.

		Year Ended 31 July 2020 £000	Restated Year Ended 31 July 2019 £000
Depreciation charge	SOCI	4,567	1,776
Deferred capital grant release	2	(3,348)	(1,479)
Depreciation (net of deferred capital grant release)		1,219	297

As per the accounting policy, depreciation has been charged on the new Falkirk campus once it came in to use in January 2020, resulting in the depreciation charge for 2019/20 being substantially increased on the prior year.

Explanation for adjusting items:
Note 1: Depreciation does not have an immediate cash impact on the College and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is removed.
Note 2: The swap rate adjustment is the movement on the valuation of the fair value of derivative financial instruments.
Note 3: The adjustments to the pensions charge represent the net service cost (ie the present value of projected benefits resulting from employee service in the year less cash contributions paid).
Note 4: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.
Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or removing employees.

Note 6: The donation to other public body through the Statement of Comprehensive Income relates to the sale proceeds of the former Falkirk campus. The proceeds (after sale costs) will be made available to the College sector and Scottish Government will instruct the College on the transfer of funds. These costs are not part of the day-to-day operations and are therefore removed.
Note 7: The estates development costs expensed through the Statement of Comprehensive Income have been identified separately and comprise professional advisors fees and staff time in relation to the project management for the new campus. These costs are not part of the day-to-day operations and are therefore removed.
Note 8: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.
Note 9: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted.

Balance Sheet

During 2019/20 a further £11.2m was incurred on construction of the New Falkirk campus, which was brought in to use on 10 January 2020.

As required by FRS102 valuations were sought for all 3 campuses at Alloa, Falkirk and Stirling as at 31 July 2020. This resulted in all the buildings being revalued upwards, along with the land at the new Falkirk campus, totalling an increase in revaluation reserve of £21.2m.

Spend of Cash Budget for Priorities

Following its reclassification as a central government body, the College is required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. The College has been given a fixed cash budget for priorites which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and the impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend

	31 July 2020	31 July 2019
	£000	£000
Revenue		
The 2015/16 pay award	65	65
Estates related revenue costs	373	381
Total impact on operating position	438	446
Capital		
Loan payments	175	167
Total Capital	175	167
Total cash budget for priorities spend	613	613

Creditor Payment Performance

The College has a policy of paying suppliers within agreed terms unless the invoice is contested. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 37 days, the increase resulting from the College closure during the Covid-19 pandemic and equivalent supplier closures. Although the College continued to work remotely there was a delay in receiving invoices from suppliers. (2018/19 - 31 days).

Sustainability Report

The College recognises that the changing climate will have far reaching effects on Scotland's economy, people and environment. Consequently, the commitment to carbon reduction remains a key strategic objective for the College, within the College mission statement of Making Learning Work.

Our vision is to lead by example in all our activities and to ensure that learners are aware of the impact their actions will have, on the environment. This commitment is supported by the College Green Sustainability Statement that is approved annually by the Chairman of the Board of Management and our College Principal.

The College has an established Sustainability Committee which performs a strategic function to set, and measure sustainability progress throughout the College. The Committee representatives agree a series of performance indicators annually, which are monitored and progressed. The Committee is currently led by the Vice Principal - Learning and Student Experience.

A significant area of measurement is the College Carbon Management Plan (CMP) which was developed as a result of the College signing the Universities and Colleges Climate Commitment for Scotland (UCCCfS) in partnership with the EAUC (Environmental Association of Universities and Colleges). The CMP reflects all carbon associated with waste, fleet travel and utilities at each site. The College's estate has altered considerably since the CMP baseline year of 2008/09, with the opening of our new campus in Alloa (2011), which received an "Excellent" rating award for the (Building Research Establishment Environmental Assessment Method) BREEAM, and new campus in Stirling (2012) which was awarded a "Very Good" Rating. The College remains on target to reduce carbon dioxide (tCO2) levels by 25% from the baseline figure of 2,873.62 tCO2. The figures are calculated annually, each November, in line with the Public Sector Climate Change Duties (2016) submission to Sustainable Scotland Network (SSN). We have continued to build on our previous reduction of 17.04% (November 2018) from our 2008 baseline and with the inclusion of our new Falkirk Campus, which has been awarded a BREEAM rating of a "Very Good" are in a good place to achieve the 25% reduction on the original baseline figure. Please note though that numbers have been difficult to obtain due to the "mothballing" of the College's old campus and the transitioning and commissioning of the new campus paired with the Government lockdown due to the Coronavirus pandemic. We look forward to establishing a firm number based on a year of occupancy within the College's new campus.

The College has targeted the majority of projects that have a positive carbon reduction with the lowest capital investment, however it is becoming increasingly challenging to identify further reductions without significant capital expense. The most significant project completed to date with low carbon benefits is the completion of the new Falkirk Campus, which officially opened to staff and students in January 2020. The new Campus has been designed with an Energy Performance Certificate rating of B and a target of Very Good for the BREEAM (2014) award and includes, but not limited to, photovoltaic panels to supplement electricity, ground source heat pumps to assist with gas consumption, LED lighting throughout and a chilled beam heating and cooling system. Co-ordinated with this, is the revision of our College Strategic Travel Plan 2017-2022 to progress an increase in active travel and health and wellbeing initiatives.

The College supports the mandatory reporting of targets made in the Climate Change (Scotland) Act 2009, required by the Scottish Government from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC and Keep Scotland Beautiful. The College is committed to continually improve carbon reduction and monitors this annually with the review of the Carbon Management Plan, including the submission of the mandatory annual SSN reporting.

Dr Ken Thomson OBE
Principal and Chief Executive
3 December 2020

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Forth Valley College of Further and Higher Education is committed to demonstrating best practice in Corporate Governance and the following statements are designed to provide an overview of governance arrangements in place.

The Corporate Governance Report consists of the following sections:

- Board of Management and Senior Management overview
- Statement of The Board of Management's Responsibilities
- Governance Statement
- Governance Structure
- Assessment of corporate governance
- Internal Control
- Going Concern

Board of Management

Membership of the Board of Management

The Post 16 Education (Scotland) Act 2013 requires that the board of a regional College should consist of no fewer than 15, nor more than 18 members. The Board of Management members who held office during the year and up to the date of signing these financial statements were as follows:

Mr R Martin	Regional Chair	
Dr K Thomson OBE	Principal	
Miss N Akram	Non-Executive member	Appointed 01/02/2020
Mr C Alexander	Non-Executive member	Resigned 27/02/2020
Mrs H Burt	Non-Executive member	Appointed 01/02/2020
Mrs F Campbell	Non-Executive member	Resigned 25/06/2020
Mr A Caldwell	Non-Executive member	Appointed 01/03/2020
Mr A Carver	Non-Executive member	
Ms T Craggs	Vice Chair & non-executive member	
Ms L Dougall	Non-Executive member/ Senior Independent Member	
Ms P Duncan	Staff	Tenure ended 01/09/20
Mr D Flynn	Vice Chair & non-executive member	
Mr L Graham	Student	Tenure ended 25/06/2020
Mrs K Graham	Non-Executive member	Appointed 01/07/2020
Ms B Hamilton	Non- Executive member	
Ms J Hogarth	Staff	
Mr L McCabe	Non-Executive member	
Mr A McKean	Staff	Appointed 28/09/20
Mr A Petrovskis	Student	Appointed 29/06/2020
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	Resigned 10/08/2020
Mr A Smirthwaite	Student	Reappointed 29/06/2020
Mr L Williams	Student	Resigned 02/08/19

Membership of the Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations and consists of:

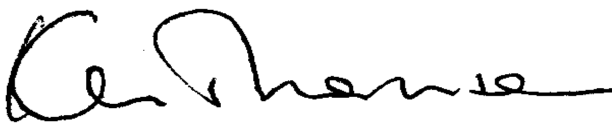
Dr K Thomson OBE	Principal	
Mr A Lawson	Depute Principal and Chief Operating Officer	
Mr D Allison	Vice Principal Information Systems and Communications	
Mrs F Brown	Vice Principal Learning and Quality	Retired 20/09/19
Mrs A Stewart	Vice Principal Finance and Corporate Affairs	
Mr K MacInnes	Vice Principal Learning and Student Experience	

Conflicts of Interest procedures

Forth Valley College has comprehensive procedures for dealing with potential conflicts of interest. These include holding, and updating at least annually, a Register of Board Members Interests. The register is available to any member of the public who wishes to examine it and is available on the college website, http://www.forthvalley.ac.uk. Interests that must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land and buildings, shares and securities, and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2019/20, the College had no reported personal data incidents. (2018/19: no incidents).



Dr Ken Thomson OBE
Principal and Chief Executive
3 December 2020

Statement of The Board of Management's Responsibilities

The Board of Management are required to present audited financial statements for each financial period.

In accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial period.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure
- ensure sound corporate governance and proper conduct of the College's operations.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, directors of academic and heads of administrative departments
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee
- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the College to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm’s Length Foundations on a sector wide basis to shelter on-going College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

Auditor

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2020.

Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College’s auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College’s auditors are aware of that information.

Approved by order of the members of the Board on 3 December 2020 and signed on its behalf by:

Ross Martin

Ross Martin
Chair

Governance Statement

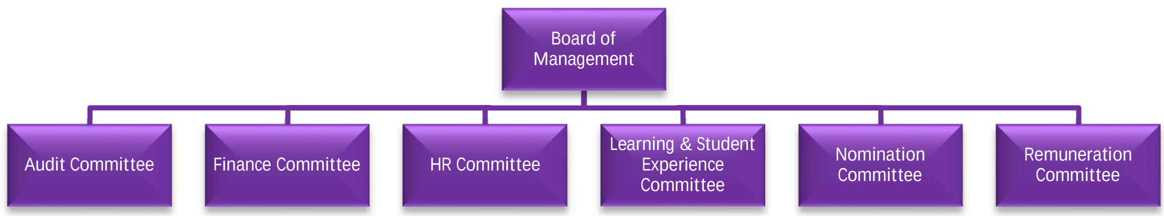
Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the 2016 Code of Good Governance for Scotland's Colleges.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in Forth Valley College in the year to 31 July 2020 and reports the Board's assessment of the effectiveness of these arrangements.

Governance Structure

The College has a robust and effective Board and Committee structure in place. This was reviewed and amended by the Board of Management in September 2018 to reflect the changing needs of the Board.



Additionally, in recognition of the significant developments towards the realisation of the new Falkirk Headquarters Campus, an additional committee, the Falkirk Campus Project Board, had been in place for a number of years, with the project board holding its final meeting on 28 January 2020. While the Falkirk Campus Project Board was separate from the main Board of Management structure, three non-executive Board Members served on this Board to ensure adequate representation from the main Board of Management.

Board of Management Committees

Audit Committee
The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on issues of compliance, risk, financial probity and the overall effectiveness of internal College control systems. The internal and external auditors normally attend meetings.

Finance Committee
The committee met on three occasions during the period. Its role is to contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the College's financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

HR Committee
The committee met on one occasion during the period. Its role is to advise on HR strategy (including industrial relations matters), oversee the Board's health & safety responsibilities, and monitor the Board's equal opportunities aspirations.

Remuneration Committee
The committee met once during this period. Its role is to provide good governance advice and assistance to the Board of Management on the remuneration of senior College staff, considering sectoral guidance and maintaining comparability with relevant external bodies.

Learning and Student Experience Committee

The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on the educational performance of the College, to act as the primary linkage between the Board of Management and the Student Association Executive, and to consider matters relating to the interests of learners in the College.

Board of Management Members

As at 31 July 2020, the Board gender split was 56% male/44% female. Following a resignation in August 2020, the gender split is currently 59% male/41% female. It is our intention to fill the vacant non-executive position through a competitive recruitment process in early 2021.

Membership now consists of 17 members as follows:

- Chair
- 11 Independent Non-executive members
- 2 Student Members
- 2 Staff Members
- Principal

There is a clear differentiation in the roles of the Chair of the Board and that of the Principal. Matters reserved to the Board of Management are set out in the Standing Orders and Operating Guidelines, the Scheme of Delegation, and under the Financial Memorandum with the Scottish Funding Council. The Board of Management is responsible for the on-going strategic direction of the College, approval of major developments and the approval of annual budgets.

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to information they consider to be relevant to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector.

Board Effectiveness

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place, supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

There are self-evaluation processes, led by the Chair and an evaluation process for the activity of the Chair led by the Vice-Chair. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs. The performance of the Chair is also evaluated by the Scottish Government, as regional college chairs are appointed by Scottish Ministers and are personally accountable to them.

In September 2019 the Board agreed to appoint 2 Vice Chairs to support the Chair.

An externally conducted effectiveness review is required to be completed by March 2021. This is currently being undertaken, with the outcome to be considered by the Board at its schedule meeting in February 2021. The report will be published on the College's website.

Attendance

The Board of Management normally meets formally five times per year and has a number of committees which are formally constituted with terms of reference.

Despite the physical closure of the College campuses in March 2020 the Board of Management continued to operate virtually. All scheduled Board and Board Committee meetings took place as planned using video conferencing, with additional meetings held in relation to the sale of the old Falkirk Campus and the College's response to the Covid-19 pandemic.

Overall there were 9 Board of Management meetings in 2019/20.

During 2019/20 one meeting of the Finance Committee and one meeting of the HR Committee were cancelled due to not being quorate.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management	Audit Committee	Finance Committee	HR Committee	Remuneration Committee	Learning & Student Experience Committee
Number of Meetings				9	3	3	1	1	3
Mr R Martin	Regional Chair	01/08/17		9				1	
Dr K Thomson OBE	Principal	01/08/13		9					
Miss N Akram	Non-Exec	01/02/20		4 of 6					1 of 2
Mr C Alexander	Non-Exec	26/03/17	27/02/20	3 of 4					
Mrs H Burt	Non-Exec	01/02/20		6 of 6	1 of 1				
Mr A Caldwell	Non-exec	01/03/20		4 of 5		1 of 1			
Mrs F Campbell	Non-Exec	26/03/17	25/06/20	8 of 8			1		3
Mr A Carver	Non-Exec	26/03/17		2		2			
Mrs T Craggs	Vice Chair/ Non-Exec	06/12/16		7		2	1		
Ms L Dougall	Non-Exec / Senior Independent Member	26/03/19		9	3			1	3
Mrs P Duncan	Staff	05/09/16		7	1 of 1	2			
Mr D Flynn	Vice Chair/ Non-Exec	06/12/16		8		1 of 1	1	1	3
Mrs K Graham	Non-Exec	01/07/20		0 of 1					
Mr L Graham	Student	01/07/19	25/06/20	6 of 8	2				
Ms B Hamilton	Non-Exec	26/03/17		2	1 of 2		0	0	
Ms J Hogarth	Staff	27/06/19		8					2
Mr L McCabe	Non-Exec	26/03/19		6		3		1	
Mr A Petrovskis	Student	29/06/20		1 of 1					
Mr K Richardson	Non-Exec	26/03/19		9		2			
Mr A Smirthwaite	Student	29/06/20		7 of 8					3
Mr S Tolson	Non-Exec	26/03/19	10/08/20	9					2
Mr L Williams	Student	01/07/19	02/08/19	0					

Assessment of corporate governance

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of the role of Secretary to the Board.

The Code of Good Governance states; “The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time”.

The Board of Management recognises the importance of the Board Secretary being able to report directly to the Chair independently of the Principal in order to prevent any conflicts of interests, however we believe that this can be achieved without the requirement to appoint a Board Secretary without other Senior Management Team responsibilities. The Board of Management has appointed the Vice Principal Finance & Corporate Affairs as Secretary to the Board along with the Corporate Governance & Planning Officer as Deputy Secretary to the Board, both of whom will report directly to the Chair in relation to the Board Secretary duties. The Board of Management believes any risk of non-disclosure or non-compliance not being reported to the Board of Management due to a conflict of interest is mitigated by the appointment of two individuals with direct reporting to the Chair. The Board of Management considers that governance is strengthened rather than weakened by the Vice Principal Finance & Corporate Affairs having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector. The Board of Management reviewed the existing arrangement in October 2020 and agreed that this should continue unchanged.

Risk Management

The Board of Management has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit Committee has delegated authority from the Board of Management to approve the Risk Management Policy and to review regular reports from the College Senior Management Team regarding risk.

All Board Committees are able to request risks be added to the strategic risk register.

The College operates a Strategic Risk Register which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge. It is also provided annually to the Board of Management. There are currently 8 risks on the Strategic Risk Register covering areas such as the ongoing financial sustainability, Covid-19 and ensuring the College continues to meet student expectations.

The Principal is responsible for the maintenance of the College Strategic Risk Register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

Risk Management is embedded in the operations of the College. The identification and mitigation of risk is a component in all decision making and is a standing item at all Senior Management Team, Board Committee and Board of Management meetings. The College also operates a risk management system whereby areas of significant risk to the College have their own specific risk register.

In recognition of the unprecedented challenges posed by the COVID-19 situation, and in compliance with the College Risk Management Policy, a specific COVID-19 risk register was created to manage the risks arising from this situation and changes to the operational practices in the College to respond to this. This register is also presented to the Audit Committee and the Board of Management.

Delegation of responsibility for managing the key risks in the risk registers is essential if risk management is to be effective. The risk registers, therefore identify “owners” for each risk.

Internal Audit

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditor reports to the Principal and to the Audit Committee on a regular basis and has direct access to the Chair of the Audit Committee. The internal audit plan, while an annual document, does take into account medium and longer term planning to ensure key areas are audited on a rolling basis.

The internal auditor has issued an annual report which gives an opinion on the adequacy, reliability and effectiveness of the College's internal control systems. On the basis of the work undertaken during the period the auditor has expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

Internal Control

The Board of Management is aware of the need for effective internal control and acknowledges its responsibility for such a control system to be in place. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures.

In particular it includes:

- comprehensive budgeting systems with an annual budget approved by the Board of Management
- regular reviews by the Finance Committee of quarterly and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and non-financial performance.

Assessment of the effectiveness of internal controls

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks. This process is reviewed by the Board of Management through the Audit Committee. A formal Business Continuity Plan is maintained within the College.

For the period to 31 July 2020, the Internal Auditor reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

The external auditor has given an unqualified audit opinion on the financial statements for the period to 31 July 2020 and on the regularity of transactions reflected in the financial statements. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, we can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

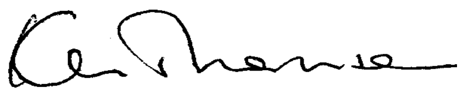
Going Concern

The Board of Management believes that pension liabilities resulting in a net liability in the Balance Sheet can be met as these fall due from future funding. The Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming and on that basis these financial statements have been prepared on a going concern basis.

Conclusion

The Board of Management's opinion is that the College has an appropriate framework of internal controls, and these provide reasonable assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 3 December 2020 and signed on its behalf by:



Ross Martin
Chair

Dr Ken Thomson OBE
Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2020.

All information disclosed in the tables in this report will be audited by the College's external auditor and all other sections of the Remuneration Report will be reviewed to ensure they are consistent with the financial statements.

Board of Management

Forth Valley College Board Members, with the exception of the Principal and Chief Executive Officer, are appointed for a fixed period, normally, four years. With the exception of the Principal and Chief Executive Officer and elected staff representatives, these members do not have contracts of service with Forth Valley College.

FVC Chair, Ross Martin, was appointed in August 2017 by Scottish Ministers. The level of remuneration for the Chair is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations. The Principal and Chief Executive Officer, Dr Ken Thomson, is a member of both the Board and the SMT.

The Principal and Chief Executive Officer and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2019/20 there was no bonus scheme in operation in Forth Valley College.

If an SMT member's employment with Forth Valley College is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service and are subject to approval by the Scottish Funding Council. This basis is identical to that applied for all other employees.

Remuneration Committee

The Remuneration Committee determines the policy for the remuneration of the members of the SMT, including the Principal and Chief Executive Officer and other such members of the management team as it is designated by Forth Valley College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chair,Principal and Chief Executive Officer it determines the total individual remuneration packages of members of the SMT.

The membership of the Remuneration Committee is made up of the Chair of the Board of Management plus the Chairs of each of the Board Sub-Committees. All members have completed the mandatory online College Development Network Remuneration Committee training. During 2019/20 the Commiteee met once and approved all of the remuneration disclosed in the table below.

Senior Management Team Remuneration

As part of Forth Valley College's performance management system, each SMT member agrees with the Principal and Chief Executive Officer their personal performance objectives.

Forth Valley College aims to ensure that the remuneration packages offered to SMT:

- enable Forth Valley College to attract, retain and motivate high calibre leaders
- remunerate individuals fairly for individual responsibility and contribution

- take account of salary policy within the rest of Forth Valley College and the relationship that should exist between the remuneration of the Senior Management Team and that of other employees.

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. An equal pay audit, that takes into account our Colleges Job Evaluation system is externally audited every two years. Salary payments are made monthly.

With the exception of Dr Ken Thomson, SMT members are members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.4% to 11.9%. Forth Valley College contributed 17.2% of the employees' pensionable salary to the STSS up to 31 August 2019, and 23% thereafter. Contributions for the LGPS were 21.9% up to 31 March 2020, and 22.4% thereafter. These schemes are defined benefit schemes. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2020, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2020			Year Ended 31 July 2019		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Ken Thomson	160-165	0	160-165	155-160	0	155-160
Andy Lawson	110-115	13	125-130	110-115	19	130-135
Kenny MacInnes	70-75	10	80-85	0	0	0
Alison Stewart	100-105	30	130-135	95-100	51	145-150
David Allison	90-95	32	125-130	90-95	53	140-145
Fiona Brown	10-15	20	30-35	85-90	45	130-135

The Principal received no benefits in kind during 2019/20 (2018/19:nil). For 2019/20 and 2018/19 no bonus schemes were in operation. The information in this table has been subject to audit.

Salary

Salary information includes gross salary, overtime and allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the College and thus recorded in these financial statements.

As a result of reaching the HMRC Lifetime Allowance limit, Dr Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to Dr Thomson's pension scheme, are paid as salary, and amounted to £27,100 (2019:£20,596) This policy of paying pension contributions as salary for individuals who reach the HMRC Lifetime Allowance limit is in line with business practice, and was approved by the Remuneration Committee.

Chair Remuneration

For the year to July 2020 the Chairman was entitled to claim remuneration of £200 per day up until 31 January 2020, and £211 per day thereafter up to a maximum total fee of £21,944. The Chair is not entitled to a pension in respect of their office. For the year to 31 July 2020 the chairman was paid remuneration of £20,394 (2018/19: £12,000).

Median Pay Multiples

The relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the employees of Forth Valley College is as follows:

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	165,245	157,474
Median Remuneration of Forth Valley College Employees	37,778	37,514
Remuneration Ratio	1 : 4.40	1 : 4.20

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July. Including severance payments, no employee (2019: no employee) received remuneration in excess of the highest paid member of the Senior Management Team.

Pension Benefits

Forth Valley College operates two pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). Pension benefits are provided to the Senior Management Team on the same basis as all other staff and an explanation of how benefits accrue is detailed below. The accrued retirement benefits of the Senior Management Team for the year to 31 July 2020 are:

			Cash Equivalent Transfer Value		
	Accrued Pension at pension age as at 31 July 2020 and related lump sum £000	Real increase in Pension and related lump sum at pension age £000	At 31 July 2020 £000	At 31 July 2019 £000	Real increase in CETV £000
Ken Thomson	50 - 55 plus lump sum of 160 - 165	0 - 2.5 plus lump sum of 0 - 2.5	1,303	1,253	30
Andy Lawson	40 - 45 plus lump sum of 125 - 130	0 - 2.5 plus lump sum of 2.5 - 5.0	1,018	974	15
Kenny MacInnes	10 - 15 plus lump sum of 35 - 40	0 - 2.5 plus lump sum of 0 - 2.5	292	266	17
Alison Stewart	20 - 25 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	283	249	24
David Allison	35 - 40 plus lump sum of 55 - 60	0 - 2.5 plus lump sum of 0 - 2.5	597	555	33
Fiona Brown	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 2.5 - 5.0	674	639	20

Ms Brown retired on 20 September 2019. The information provided above for Ms Brown is therefore at this date.

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figure the following contextual information should be taken into account:

- the figures for pension lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement
- the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real Increases in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

As at 31 July 2020 there were 627 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Prefer not to say	Total
Senior Management Team	4	1	0	5
Heads of Teaching / Service	5	9	0	14
Academic Staff	120	146	11	277
Support Staff	108	215	8	331
	237	371	19	627

The following table shows the salary and related costs for all staff for the year ended 31 July 2020, identifying temporary, inward seconded and agency staff separately:

Salaries and related costs	2020 Directly employed staff on permanent UK contracts	2020 Other staff including temporary, seconded and agency staff	2020 Total	2019 Total
	£000	£000	£000	£000
Wages and salaries	19,817	1,071	20,888	19,914
Social security costs	1,980	75	2,055	1,958
Other pension costs	5,595	157	5,752	4,600
Total	27,392	1,303	28,695	26,472
Average number of FTE	511	44	555	553

During the year 12 employees left under voluntary exit terms. The table below summarises the exit packages by cost band:

Compensation for loss of office	Year Ended 31 July 2020 Number of voluntary redundancies	Year Ended 31 July 2020 Number of other departures	Year Ended 31 July 2020 Total	Period Ended 31 July 2019 Total
£10k - £15k	4	0	4	1
£15k - £20k	0	0	0	2
£20k - £25k	8	0	8	0
£25k - £30k	0	0	0	2
Total number of exit packages	12	0	12	5
Total cost			£223,025	£95,264

Attendance Management

The College recognises that employees need to be properly supported during absences, matched with our priority, to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the organisation to effectively manage sickness absence. To achieve this balance, working with our Occupational Health advisors, we take a positive and pro-active approach to attendance management. We also offer a range of services that staff can access to help them with their own wellbeing.

These include:

- advising all employees and line managers of their roles and responsibilities in managing absence through appropriate training, guidance and support
- monitoring and analysing absence and providing useful Management Information
- supporting employees with regular short-term absence to improve their level of attendance
- assisting employees on long-term absence to return to work successfully via individually tailored return to work plans
- allowing staff to self-refer to our Occupational Health Advisor on a confidential basis
- offering sessions to staff to help them with their own wellbeing at work, including those on managing stress or mindfulness
- providing access to a confidential Employee Assistance scheme to provide advice or counselling when dealing with issues of a personal, financial or legal matter
- improve mental health support with the introduction of Mental Health Ambassadors and bespoke training.

In 2019/20, an average of 8.02 days (including leavers) was lost per staff member compared to 8.96 days from 2018/19. The 2019/20 average equates to 3.08% overall absence rate for the year (2018/19: 3.44%).

Trade Union Facility Time – 1st April 2019 to 31st March 2020

Forth Valley College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland (EIS) and Unison. We recognise the benefits of a positive and open relationship with our recognised trade unions. As part of our commitment to working in partnership, and in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we offer paid facility time to our work place representatives to enable them to carry out union activities and duties.

There were 10 staff members who were trade union officials during 2019/20. The full time equivalent employee number was 9.5.

Percentage of time spent on facility time

Percentage of time	Number of representatives
1%-50%	10

The total cost of facility time amounted £60,571, 0.23% of the total pay bill of £26,026,515, including the gross amount spent on wages, pension contributions, and national insurance contributions. 0.8% of the total paid facility time hours was spent on trade union activities.

Equality, Diversity and Inclusion

FVC continues its commitment to ensuring that all staff and students can work or study in an environment that is free from discrimination, harassment and victimisation and that everyone can progress equally.

We are guided by the Equality Act 2010 which sets out our responsibilities to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- promote good relations

This is important for all staff and students. In particular, we ensure equality in regards to protected characteristics.

We comply with the Equality Act by demonstrating our activities through a range of reports and information: Equality Mainstreaming report; Equality Outcomes progress report; Equalities Policy and Gender Pay Gap & Equal Pay information. We are committed to achieving our Equality Outcomes and strive to embed actions for equality in our strategic and operational planning processes.

FVC is continuing to implement our Access and Inclusion Strategy and our Gender Action Plan both of which are part of our current Regional Outcome Agreement with the Scottish Funding Council. The College was preparing to submit our new three year Gender Action Plan; however, due to the Covid-19 pandemic this has been delayed by SFC until early next year. These plans outline the broad range of support available for all students; demonstrates our commitment to creating an inclusive learning environment; identifies areas for enhancement and outlines our aims in relation to gender representation in College programmes.

The reports outlined above are at: https://www.forthvalley.ac.uk/about-us/equality-diversity/

Dr Ken Thomson OBE
Principal and Chief Executive
3 December 2020

PARLIAMENTARY ACCOUNTABILITY REPORT

The Financial Reporting Manual 2019-20 (FReM) requires the inclusion of a Parliamentary Accountability report and the Scottish Public Finance Manual sets out the specific disclosures required.

Forth Valley College has no items to disclose for either of the financial years to 31 July 2020 and 31 July 2019.

Dr Ken Thomson OBE
Principal and Chief Executive
3 December 2020

AUDIT REPORT

Independent auditor's report to the members of the Board of Management of Forth Valley College, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forth Valley College for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- there has been a failure to achieve a prescribed financial objective

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

9 December 2020

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 July 2020[1]

INCOME	Note	Year Ended 31 July 2020	Year Ended 31 July 2019
		£000	£000
Scottish Funding Council grants	2	28,196	25,571
Tuition fees and education contracts	3	7,915	7,706
Other grant income	4	944	283
Other operating income	5	1,105	1,313
Donation income	6	27	0
Grant from FVC Foundation	4	1,772	251
Total Income		39,959	35,124
EXPENDITURE			
Staff costs	7	28,512	26,210
Pension provision charge	9	553	475
Other operating expenses	10	6,603	6,964
Donation to other public body	10	1,887	0
Estates development costs		1,755	925
Depreciation	14	4,567	1,776
Interest and other finance costs	11	558	556
Total Expenditure		44,435	36,906
Deficit before other gains and losses		(4,476)	(1,782)
(Loss)/Gain on disposal of fixed assets		(2,000)	3
Deficit before other comprehensive income		(6,476)	(1,779)
Other comprehensive (expenditure)/income			
Actuarial loss in respect of pension scheme		(10,572)	(4,542)
Total comprehensive (expenditure)/income for the year		(17,048)	(6,321)
Represented by:			
Restricted comprehensive income for the year		0	0
Unrestricted comprehensive expenditure for the year		(13,774)	(6,285)
Revaluation reserve comprehensive expenditure for the year		(3,274)	(36)
		(17,048)	(6,321)

All items of income and expenditure are in respect of continuing activities.

[1] The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 31 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2020

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Income and expenditure account		
Opening balance	(16,266)	(9,981)
Deficit from the income and expenditure statement	(6,476)	(1,779)
Other comprehensive (expenditure)/income	(10,572)	(4,542)
Transfers between revaluation and income and expenditure reserve	3,274	36
Closing balance	(30,040)	(16,266)
Revaluation reserve		
Opening balance	11,904	5,257
Transfers between revaluation and income and expenditure reserve	(3,274)	(36)
Revaluation adjustment	21,239	6,683
Closing balance	29,869	11,904
Total reserves at 31 July 2020	(171)	(4,362)

Balance Sheet as at 31 July 2020

	Note	As at 31 July 2020	As at 31 July 2019
		£000	£000
Non Current Assets			
Tangible fixed assets	14	129,063	101,642
Current assets			
Stocks		27	28
Trade debtors and other receivables	15	3,154	2,485
Cash at bank and in hand	20	3,785	2,020
Total current assets		6,966	4,533
Less: Creditors - amounts falling due within one year	16	10,219	7,543
Net current liabilities		(3,253)	(3,010)
Total assets less current liabilities		125,810	98,632
Creditors - amounts falling due after more than one year	17	92,266	82,084
Provisions			
Early retirement provision	18	7,025	6,884
LGPS pension provision	18, 22	26,690	14,026
		33,715	20,910
Total Net Liabilities		(171)	(4,362)
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		(30,040)	(16,266)
Revaluation reserve		29,869	11,904
Total Reserves		(171)	(4,362)

The financial statements on pages 39 to 61 were approved by the Board of Management on 3 December 2020 and were signed on its behalf on that date by:

Ross Martin
Chairman

Dr Ken Thomson OBE
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2020

	Note	Year Ended 31 July 2020	Year Ended 31 July 2019
		£000	£000
Cash flow from operating activities			
Deficit for the year		(6,476)	(1,779)
Adjustment for non-cash items			
Depreciation	14	4,567	1,776
Loss/(Gain) on disposal of fixed assets		2,000	(3)
Decrease/(Increase) in stock		1	(3)
Increase in debtors	15	(669)	(1,097)
Increase/(Decrease) in creditors	16, 17	2,596	(395)
Increase in pension provision	18	141	68
Pension Costs	22	1,779	1,380
Adjustment for investing or financing activities			
Interest payable	11	558	556
Capital grant income	2	(3,348)	(1,479)
Net cash inflow from operating activities		1,149	(976)
Cash flows from investing activities			
Proceeds from sale of fixed assets		2,000	5
Capital grants receipts		13,698	34,091
Investment income		0	0
Payments made to acquire fixed assets	14	(14,749)	(36,017)
		949	(1,921)
Cash flows from financing activities			
Interest paid	11	(158)	(165)
Repayments of amounts borrowed		(175)	(167)
		(333)	(332)
Increase/(Decrease) in cash and cash equivalents in the year		1,765	(3,229)
Cash and cash equivalents at beginning of the year		2,020	5,249
Cash and cash equivalents at end of the year		3,785	2,020

Notes to the Financial Statements

1. Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2019: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2019/20 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council. Forth Valley College is a public benefit entity as defined by FRS102.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The financial statements do not include the income and expenditure of the Students' Association as the College does not exert control or dominant influence over policy decisions.

Going Concern

The College's financial statements for 2019/20 have been prepared on a going concern basis. The activities of Forth Valley College are over 70% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Management of Forth Valley College has no reason to believe that future support from Scottish Funding Council will not be forthcoming. The College's medium term financial forecasts are in surplus, and the College has cash working capital of c.£1 million.

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision within Forth Valley College.

The College recorded a deficit of £4.5 million before other gains and losses during the financial year and total comprehensive expenditure of £17.0 million. The College reported an adjusted operating surplus of £1.170 million after accounting for technical pension adjustments of £2.645 million, extraordinary expenses of £1.8 million; estates development costs of £1.755 million; net depreciation adjustments of £1.1 million and cash budget for priorities of £613k. Cash increased by £1.765 million during the year and at 31 July 2020 the College held cash balance of £3.7 million, which includes £1.8 million due to the Scottish Government in relation to the disposal of the Falkirk Campus. At 31 July 2020, the College held borrowings of £3.562 million in unsecured loans which have no financial covenants. The College is reporting a net current liabilities position in these financial statements of £3.3 million and net liabilities of £171,000.

The net liability position reported in these financial statements is due to deferred government capital grants being disclosed as creditors in accordance with FRS 102. They do not represent future cash outflows for the College. The net liabilities also include a Pension Provision for early retirements of £7.0m and Pension Liability of £26.7m for the College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Cashflow projections have been prepared for twelve months from the date of approval of these financial statements. Following the coronavirus outbreak, the College has updated the financial forecast in line with the assumptions provided by the Scottish Funding Council which included assuming Colleges taking relevant actions to balance their underlying positions each year. Therefore, based on our latest assumptions the College will breakeven across the forecast period and sustain the liquidity position.

Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The College has already demonstrated that we can deliver much of our curriculum remotely and the lessons learned will mitigate the impact of another lockdown. We are actively pursuing other income streams to supplement our current commercial income base. Taking account of the business risks facing the College, we believe that the College is well placed to continue to manage its business risks successfully.

The College has forecast its cash flow during the going concern assessment period, including testing a number of sensitivities which may be impacted by the current uncertainty around the 2020/21 and 2021/22 academic years as a result of Covid-19. The College's severe downside cash flow forecasts demonstrate it still has material liquidity headroom at the lowest point in its going concern assessment period. The College has also prepared reversed stress testing by removing any 'non-fixed' income streams (primarily commercial income and assuming not being able to draw-down on Flexible Workforce Development funds). This scenario showed a potential deficit in cash position of £150,000 which would be met through SFC cash advance payments as the College's liabilities fall due. This scenario however is not considered to be plausible even in the event of a second lockdown as the College has already proved to be able to deliver through a blending learning model.

The conclusion from the assessment of financial position is that it is considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

Recognition of income

Income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Grant Funding

Government revenue grants including Funding Council block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. For 2019/20 grant funding includes income received from the UK Government's Job Retention Scheme during the Covid-19 pandemic. See note 4.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible Fixed Assets

In line with FReM all tangible assets are carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College. If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs and are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives. The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment costing less than £10k per individual item or grouped items is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased Assets

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Revaluation Reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from the revaluation reserve to the Income and Expenditure Account together with any surplus or deficit on disposal.

Stocks

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and Cash Equivalents

Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College's Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Retirement Benefits

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, gender and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through income or expenditure. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	22,423	21,874
Childcare funds	511	625
SFC release of deferred capital grant	3,348	1,479
Scottish Funding Council maintenance grant	378	434
Other Scottish Funding Council grants	1,536	1,159
Total	28,196	25,571

3 Tuition fees and education contracts		
Further education fees - UK & EU Students	150	155
Further education fees - non EU Students	10	15
Higher education fees	1,446	1,537
Skills Development Scotland income	2,568	1,710
Education contracts	1,658	1,804
Other contracts	2,083	2,485
	7,915	7,706

4 Other grant income		
Forth Valley College Foundation - Revenue	998	64
Forth Valley College Foundation - Capital	774	187
Job Retention Scheme	524	0
Other grants	420	283
Total	2,716	534

Grant income received from the UK Government's Job Retention Scheme was to assist employers with the salary, NI and pension costs relating to staff who were placed on furlough as a result of the Covid-19 pandemic.

5 Other operating income		
Residences, catering and conferences	606	839
Other income	499	474
Total	1,105	1,313

6 Donation income		
Donations	27	0
Total	27	0

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
7 Staff costs		
Salaries	20,705	19,652
Social security costs	2,055	1,958
Other pension costs (including FRS 102 adjustment of £1,779k, 2018/19:£1,380k)	5,752	4,600
Total	28,512	26,210
Academic/ Teaching Departments	16,628	15,435
Academic/ Teaching Services	3,942	3,890
Administration and Central Services	5,829	5,113
Premises	995	772
Other expenditure	540	499
Catering and Residences	355	327
Modern Apprentice Trainees	0	79
Sub-total	28,289	26,115
Restructuring costs	223	95
Total	28,512	26,210

Throughout the period 18th March 2020 to 31st July 2020, up to 202 employees were placed on furlough. The salary, NI and pension costs relating to these totalled £731k. We received £524k grant income to help cover these costs as explained in note 4.

Compensation for loss of office payable to a senior post-holder:
Ms Fiona Brown retired from office during the year. No compensation payment was made.
The average number of full time equivalent employees, including higher paid employees, during the period was:

	No.	No.
Senior management	5	5
Academic/ Teaching Departments	254	257
Academic/ Teaching services	174	167
Admin and central services	89	88
Premises	14	12
Catering	15	14
Modern Apprentice Trainees	0	4
Total	551	547
Analysed as:		
Staff on permanent contracts	511	501
Staff on temporary contracts	40	46
	551	547

The number of staff, including senior post-holders and the Principal, having responsibility for planning, directing and controlling the activities of the College, and who received emoluments including benefits in kind where appropriate, excluding pension contributions, were as follows:

	2020 Senior post-holder No.	2020 Other members of staff No.	2019 Senior post-holder No.	2019 Other members of staff No.
£10,001 to £20,000 per annum	1	0	0	0
£20,001 to £30,000 per annum	0	0	1	0
£30,001 to £40,000 per annum	0	0	0	1
£50,001 to £60,000 per annum	0	2	0	0
£60,001 to £70,000 per annum	0	3	0	6
£70,001 to £80,000 per annum	1	0	0	0
£80,001 to £90,000 per annum	0	0	1	0
£90,001 to £100,000 per annum	1	0	2	0
£100,001 to £110,000 per annum	1	0	0	0
£110,001 to £120,000 per annum	1	0	1	0
£160,001 to £170,000 per annum	1	0	1	0

The emoluments for the Senior Management team are set out in the Remuneration report.

	Year Ended 31 July 2020	Year Ended 31 July 2019
8 Senior post-holders' emoluments	No.	No.
The number of senior post-holders who form the senior management team, including the Principal	5	5

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	559	565
Employer's pension contributions	86	79
Benefits in kind	0	0
Total emoluments	645	644
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	164	157
Benefits in kind	0	0
	164	157
Pension contributions	0	0

Three of the senior post-holders were members of the Scottish Teachers' Superannuation Scheme and the other two post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

As a result of reaching the HMRC Lifetime Allowance limit, the Principal left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to the Principal's pension scheme, are paid as salary. For 2019/20 financial year this was £27k (2018/19: £21k).

The Chair of the Board of Management claimed remuneration of £20,394 in the financial period (2018/19: £12,000). Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
9 Pension Provision Charge		
Increase/(Decrease) due to revaluation of pension liability	412	290
Interest	141	185
	553	475

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
10 Other operating expenses		
Teaching departments	1,884	2,008
Administration and central services	1,359	1,350
Premises costs	1,696	1,554
Planned maintenance	285	355
Other employee related costs	327	371
Agency staff costs	91	169
Other expenses	200	206
Residences, catering and conferences	250	326
Childcare	511	625
	6,603	6,964
Donation to other public body	1,887	0
Total	8,490	6,964
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	25	24
- internal audit services	21	28
Hire machinery - operating leases	89	82
Hire of premises - operating leases	25	25

Donation to other public body:
The College sold the site of the former Falkirk campus in July 2020. The proceeds of the sale, after costs, are to be made available to the College sector, and the Scottish Government will instruct the payment of £1,887,347 before 31 March 2021. This was not paid out before 31st July 2020 and was accrued for the purposes of the financial statements.

11 Interest and other finance costs

	2020	2019
Loan interest	158	165
Decrease in fair value of derivatives	87	156
Pension finance costs (note 22)	313	235
Total	558	556

12 Forth Valley College Foundation

Donations are made to the Foundation when there is surplus income. There were no donations made during 2019/20 or 2018/19.

13 Taxation

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the period.

14 Tangible fixed assets

Land and buildings were revalued at 31 July 2020 by DM Hall, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, land and buildings are valued on the basis of depreciated replacement cost. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

	Land and Buildings	Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2019	52,128	6,081	55,440	113,649
2018/19 Revaluation adjustment	(4,914)	0	0	(4,914)
Additions	35	3,468	11,246	14,749
Disposals	(5,804)	0	0	(5,804)
Revaluation	17,705	0	0	17,705
Transfer of assets under construction	66,686	0	(66,686)	0
At 31 July 2020	125,836	9,549	0	135,385
Depreciation				
At 1 August 2019	6,718	5,289	0	12,007
2018/19 Revaluation adjustment	(4,914)	0	0	(4,914)
Charge for the year	3,534	1,033	0	4,567
Disposals	(1,804)	0	0	(1,804)
Revaluation	(3,534)	0	0	(3,534)
At 31 July 2020	(0)	6,322	0	6,322
Net Book Value at 31 July 2019	45,410	792	55,440	101,642
Net Book Value at 31 July 2020	125,836	3,227	0	129,063

The 2018/19 revalution movement was reflected through cost in the financial statements last year instead of being cost with the associated accumulated depreciation. The 2018/19 revaluation adjustment above is therefore the correction of this error. There is no impact on net book value.

Land and buildings with a net book value of £126m have been funded from Scottish Funding Council capital grants. These assets may not be disposed of without the prior approval of the Scottish Funding Council and the College may have to return all or part of the sale proceeds to the Scottish Funding Council.

	31 July 2020	31 July 2019
	£000	£000
15 Trade debtors and other receivables		
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	688	447
Prepayments and accrued income	2,313	1,855
Other debtors	153	183
	3,154	2,485
16 Creditors: Amounts falling due within one year		
Trade creditors	389	324
Other taxation and social security	6	0
Accruals and deferred income	5,803	3,450
Loan repayment	184	175
Other creditors	503	331
Deferred capital grant	3,334	3,263
	10,219	7,543

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

	31 July 2020	31 July 2019
Grant income	103	308
Other income	196	232
Donation Income	0	27
	299	567

17 Creditors: Amounts falling due after one year

Deferred Income		
Unsecured loan	3,378	3,562
Deferred capital grant	88,210	77,931
Interest rate swap	678	591
	92,266	82,084

Analysis of unsecured loans		
Repayable within one year	184	175
Repayable between one and two years	193	184
Repayable between two and five years	635	606
Repayable over five years	2,550	2,772
	3,562	3,737

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The College has an interest rates swap at 31 July 2020 of £3.6m (2019: £3.7m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2020, the College repaid £175k (2019: £167k) of the loan principal. There are no covenants attached to the term loan.

	Early Retirement	LGPS Pension	Year Ended 31 July 2020	Year Ended 31 July 2019
18 Provisions for liabilities and charges	£000	£000	£000	£000
At 1 August 2019	6,884	14,026	20,910	14,685
Utilised in year	(412)	(1,828)	(2,240)	(2,077)
Additions in year	0	3,422	3,422	3,050
Revaluation adjustment	412	10,757	11,169	4,832
Interest charged	141	313	454	420
At 31 July 2020	7,025	26,690	33,715	20,910

The early retirement provision above is in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 2020 performed by Hymans Robertson, an independent firm of actuaries. The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 22.

19 Restricted Reserves

The college has no restricted reserves as at 31 July 2020 (2019: nil)

20 Analysis of changes in net debt

	At start of year	Cashflows	Other non-cash changes	Fair value movements	At end of year
	£000	£000	£000	£000	£000
Cash	2,020	1,765	0	0	3,785
Loans falling due within one year	(175)	175	(184)	0	(184)
Loans falling due after one year	(3,562)	0	184	0	(3,378)
Loan interest rate swap	(591)	0	0	(87)	(678)
Total	(2,308)	1,940	0	(87)	(455)

21 Lease commitments	Equipment £000	Property £000	Year Ended 31 July 2020 Total £000	Year Ended 31 July 2019 Total £000
Payable during the year	89	25	114	107
Future minimum lease payments due:				
Not later than 1 year	90	25	115	112
Later than 1 year and not later than 5 years	34	0	34	102
Later than 5 years	0	0	0	0
Total lease payments due	124	25	149	214

22 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

	Year Ended 31 July 2020 Total £000	Year Ended 31 July 2019 Total £000
The total pension costs for the institution were :		
Contribution to STSS	2,174	1,578
Contribution to LGPS	1,799	1,642
Pension costs (as a result of FRS 102)	1,779	1,380
Total pension cost (Note 7)	5,752	4,600
Employer contribution rates		
STSS	23.0%	17.2%
LGPS	22.4%	21.9%

STSS increase in rate effective from 1st September 2019 and the LGPS increase was effective from 1st April 2020.

The Scottish Teachers' Superannuation Scheme

Forth Valley College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016 and this has set contribution rates from 1 September 2019 to 31 March 2023 at 23%.

Forth Valley College has no liability for other employer's obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 September 2015 was 17.2% of pensionable pay. This increased to 23% from 1 September 2019. Employees paid variable rates ranging from 7.2% to 11.9%.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2019 were £438.8m as per the Scottish Public Pensions Agency website. At the time of singning the contributions for the year to 31 March 2020 were not available. Forth Valley College's level of participation in the scheme is 0.5% based on the proportion of the employer contributions paid in 2018/19.

The Local Government Pension Scheme

The Falkirk Council Pension Fund for non-academic employees is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2020 was £2,298k of which employer's contributions totalled £1,799k and employee's contributions totalled £499k. The agreed contribution rates are 21.9% from 1 April 2019, and 22.4% from 1 April 2020. Employees pay between 5.5% and 12%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 by a qualified independent actuary, rolled forward to 31 July 2020 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders. This valuation at 31 July 2020 includes the impact of the High Court decision on 26 October 2018, whereby pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997.

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

The Government Actuary's Department (GAD) has estimated that the impact of the McCloud/Sargeant rulings for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The College's own actuary has adjusted GAD's estimate to better reflect the College's local assumptions, particularly withdrawal rates and salary increases. The College's approach in 2018/19 therefore had been to include an estimated cost of the impact of the McCloud judgement in the financial statements based on the actuary's estimate. This impact was recognised as a past service cost of £252,000. These numbers were high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. Further uncertainties affecting the final cost relate to the number of members who will ultimately be affected and the precise way in which they will be compensated.

In 2019/20 SPPA issued a consultation into how they propose to remedy the discrimination, principally by removing the age qualification criteria from the protection. Correcting the discrimination, according to the most recent estimate provided by Hymans Robertson, will add 0.2% on to total Pension Fund liabilities and 0.2% on to employer contribution rates. This approach is estimated to result in a lower additional liability than previously accounted for in the 2018/19 financial statements. Therefore, the total actuarial loss recognised by the College in 2019/20 in respect of the pension scheme includes a £185k actuarial gain as calculated by the actuaries to reflect the most recent estimate for the impact of McCloud.

Walker and Goodwin Cases

In 2017, the Supreme Court ruled in Walker that the surviving spouse of a same sex marriage was entitled to a survivor's pension based on all of a deceased's members service. As confirmed by the employment tribunal ruling in Goodwin, this placed a same sex survivor in a more favourable position than an opposite sex survivor and was therefore direct discrimination on grounds of sexual orientation. The rulings relate to members whose entitlement arose with effect from 5 December 2005 and therefore retrospective calculations will be required to eliminate past discrimination. As the Goodwin ruling is very recent, there is no Fund specific estimate as to the remedial costs. The Government Actuary (GAD) has estimated that the cost to LGPS (Scotland) could be in the region of £50m, resulting in an estimated average 0.1% increase in employer contribution rates per Fund. The GAD estimate is based on data from 2014. As a result, actual costs based on up-to-date scheme specific data could vary significantly. Based on the most recent high level estimate performed by Hymans Robertson, the employer's liabilities of the College as at 31 July 2020 would increase by approximately 0.03% as a result of the Goodwin judgement, which would be around £21k and therefore is not considered to be material for the financial statements.

Principal Actuarial assumptions

Life expectancy is based on the Vita Curves mortality tables with some adjustments. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	20.5 years	22.8 years
Future pensioners	21.7 years	24.3 years

	As at 31 July 2020	As at 31 July 2019
Pension increase rate	2.2%	2.4%
Salary increase rate	2.6%	2.9%
Discount rate	1.4%	2.1%

The assets of the scheme were:

	Split of investments 31 July 2020	Split of investments 31 July 2019
Equities	60%	62%
Bonds	30%	27%
Property	5%	6%
Cash	5%	5%

The return on the investments in market value terms for the year to 31 July 2020 was a loss of 5.1%

The following is an analysis of the amounts charge to the Statement of Comprehensive Income:

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
Current service cost	(3,607)	(2,741)
Past service (gain)/cost	0	(309)
Total charged to staff costs	(3,607)	(3,050)
Interest income on plan assets	976	1,173
Interest cost	(1,289)	(1,408)
Net interest charged for net return on pension scheme	(313)	(235)
Return on assets	(3,366)	2,093
Other experience	272	2,327
Gains and losses arsing on changes in financial assumptions	(7,478)	(8,962)
Actuarial gain/(loss) charged to other comprehensive income	(10,572)	(4,542)
Total charge to the SOCI	(14,492)	(7,827)
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	59,819	49,183
Current and past service cost	3,607	3,050
Interest cost	1,289	1,408
Contributions by members	499	464
Remeasurements		
- change in demographic assumptions	0	(2,319)
- change in financial assumptions	7,478	8,962
- other experience	(272)	(8)
Benefits paid	(905)	(893)
Unfunded benefits paid	(29)	(28)
Closing defined benefits obligation	71,486	59,819
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	45,793	41,314
Interest income on plan assets	976	1,173
Remeasurements		
- return on plan assets excluding the amount included in the net interest	(3,366)	2,093
Contributions by members	499	464
Contributions by employer	1,799	1,642
Contributions in respect of unfunded benefits	29	28
Benefits paid	(905)	(893)
Unfunded benefits paid	(29)	(28)
Closing fair value of the plan assets	44,796	45,793
The underlying net liability for retirement benefits attributable to the College at 31 July	26,690	14,026

Analysis of projected amount to be charged to operating result for the year to 31 July 2021	Year Ended 31 July 2021
	£000
Projected current service cost	4,307
Interest on obligation	1,123
Interest income on plan assets	(636)
Total	4,794

23 Related Party Transactions

The College's board members are the trustees for charitable law purposes. Due to the nature of the College's operations and the composition of its Board of Management being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the period under review, transactions with bodies in which a member of the Board of Management has an interest and which, in aggregate, are considered to be material with respect to both parties, are noted below:

Member	Organisation	Nature of Transaction	College Income	College Purchases
			£000	£000
K Thomson	SQA	Certification fees	1	344
K Thomson	Historic Environment Scotland	Rental income/Hire of accommodation	50	10
K Thomson	JISC	Licences	0	43
T Craggs	Historic Environment Scotland	Rental income/Hire of accommodation	50	10
L Dougall	University of Strathclyde	HEI income	18	0
L McCabe	University of Stirling	HEI income/Hire of accommodation	1,174	1
H Burt	Ceteris Limited	Tuition fees/Rental costs	1	3
N Akram	Balfour Beatty	New Campus Build costs	135	11,188
A Caldwell	Diageo plc	Commercial Income	22	0

As at 31 July 2020 the following balances for the organisations noted above, which are considered to be material, were:

Organisation	Due to the College	Due from the College
	£000	£000
University of Stirling	194	0
Historic Environment Scotland	13	0
Balfour Beatty	127	0
	334	0

The College had transactions during the year, or worked in partnership with, the following bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Post
K Thomson	SQA	Board Member
K Thomson	Historic Environment Scotland	Board Member
K Thomson	JISC	Trustee & Board Member
T Craggs	Historic Environment Scotland	Board Member
T Craggs	Tayside and Central Scotland Regional Transport Partnership (TACtran)	Non-councillor Board Member
L Dougall	University of Strathclyde	Faculty Manager
N Akram	Balfour Beatty	Community Benefits role
H Burt	Ceteris	Company Secretary on behalf of French Duncan
L McCabe	University of Stirling	Director of Finance
A Caldwell	Diageo	Owns shares/securities

The members of the Senior Management Team who are not Board members have also been considered in relation to these disclosures, and there are no interests or transactions to note.

24 Financial Instruments

Financial assets and liabilities are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the assumption that the fair value of trade and other receivables (note 15) and trade creditors (note 16) is taken to be the invoiced or billed amount.

Liquidity risk – The College uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for a bank loan (note where payments are variable and hence exposed to interest rate movements). The swap has a fixed rate of 4.3% and the fair value as at 31 July 2020 was £678K (2019: £591k). The swap is due to terminate on 30 July 2029. The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. In the year to 31 July 2020 the college repaid £175k of the loan principal.

25 FE Bursary and other Student Support Funds	FE Bursary £000	EMA's £000	Other £000	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Balance brought forward	85	(1)	14	98	98
Allocation received in year	3,311	164	226	3,701	3,690
	3,396	163	240	3,799	3,788
Expenditure	(3,225)	(153)	(323)	(3,701)	(3,647)
Repayable to Funding Council as Clawback	(34)	0	(14)	(48)	0
Virements	(50)		164	114	(43)
Balance carried forward	87	10	67	164	98
Represented by:					
Repayable to(due from) Funding Council as Clawback	87	10	67	164	98
Retained by College for Students	0	0	0	0	0
	87	10	67	164	98

FE Bursary and Student Support Fund grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

26 Childcare Funds	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Balance brought forward	0	16
Allocation received in year	625	566
	625	582
Expenditure	(511)	(625)
Virements	(114)	43
Balance carried forward	0	0
Represented by:		
Repayable to Funding Council as Clawback	0	0
	0	0

Childcare Fund transactions are included within the College Income & Expenditure account in accordance with the Accounts Direction issued by the Scottish Funding Council.

27 HE Discretionary	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Balance brought forward	13	1
Allocation received in year	273	138
	286	139
Expenditure	(132)	(125)
Repayable to SAAS as Clawback	(13)	(1)
Balance carried forward	141	13
Represented by:		
Repayable to SAAS as Clawback	20	13
Retained by College for Students	121	0
	141	13

28 Capital Commitments

The College has no capital commitments at 31 July 2020.

29 Contingent Liabilities

The College has no contingent liabilities at 31 July 2020.

30 Post Balance Sheet Events

There are no post balance sheet events to note.

31 Table of Non-cash allocation

	31 July 2020	31 July 2019
	£000	£000
Deficit before other gains and losses	(4,476)	(1,782)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	613	613
Operating deficit on Central Government accounting basis	(3,863)	(1,169)

Following reclassification, incorporated Colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £4,476k for the year ended 31 July 2020. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" deficit of £3,863k on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating table and the College is therefore operating sustainably within its funding allocation.

32 Accounting estimates and judgements

During financial year 2020/21 there will be formal revaluations obtained for the following areas which may cause material adjustments to the carrying values, but which are non-cash items:

- Interest rate risk - the College is exposed to interest rate movements on the loan and as a result entered into a swap arrangement when the loan was agreed. As a complex financial instrument the swap is being accounted for at fair value at each year end. In the current market environment the fair value of the swap agreement is a liability to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was a liability at 31 July 2020 but if the LIBOR interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as an asset for the College rather than a liability, or for the liability to increase.
- LGPS Pension liability - the College's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. The key assumptions that impact on the net pension liability in future are set out within note 22.
- Early Retirement provision. The College has a provision for staff who had early retirement. The amount of this liability varies based on a number of factors, but most significantly on the discount rate applied by the actuary. The key assumptions used in the valuation are the same as for the LGPS (as set out in note 22).

The following are other areas where there is significant estimates or judgements which affect the financial statements:

- Depreciation - depreciation rates have been set for the Falkirk, Alloa and Stirling campuses based on the recommendations of estimated useful lives by valuers.
- LGPS - Cash payments - all of the factors set out above regarding the LGPS could impact on the College's cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund. Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the fund's funding strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

Appendix 1 Accounts Direction from Scottish Funding Council

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).

3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.

4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.

5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the Chair, or one other member of the governing body.

6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020